

in the United States, even though additional transportation to or from a point outside the United States is involved in the entire journey, if at the time of making payment for the transportation between two or more points in the United States it is not definitely established, under the rules set forth in § 49.4261-6, that such transportation is purchased for use in making the journey from or to a point outside the United States. The fact that the entire journey includes transportation from or to a point outside the United States is not in itself determinative of the liability for tax.

(2) The following examples illustrate the application of this paragraph:

*Example (1).* W travels from Havana, Cuba to New York by way of Miami. He purchases in Havana a steamship ticket for his transportation from Havana to Miami and an exchange order for air transportation from Miami to New York. The ticket for the connecting transportation from Havana to Miami, and the order for the transportation from Miami to New York were not appropriately inscribed by the agency or carrier which received the payment for the air transportation involved at the time such payment was received so as to clearly show that the ticket and order were purchased for use in conjunction with each other. Therefore, the agency or carrier which accepts the exchange order and issues the ticket for the transportation from Miami to New York is required to collect the tax which applies to the amount paid outside the United States for such transportation.

*Example (2).* X travels on a round trip from Montreal, Canada, to Los Angeles by way of New York. He purchases in Montreal air transportation for the round trip between New York and Los Angeles, and uses a private automobile for transportation from Montreal to New York and return to Montreal. The amount paid in Montreal for the round-trip transportation between New York and Los Angeles is a payment for transportation which begins and ends in the United States and is therefore subject to tax.

(c) *Cross reference.* See section 4262(b) and § 49.4262(b)-1 for a partial exclusion with respect to amounts paid for certain transportation.

**§ 49.4261-6 Payments made outside the United States; evidence of nontaxability.**

(a) *In general.* The tax does not apply to a payment made outside the United States for transportation which begins

or ends outside the United States. For purposes of the preceding sentence, a payment made outside the United States for transportation between two or more points within the United States (such transportation being referred to hereinafter in this section as "the United States portion"), which is part of transportation from or to a point outside the United States is a payment for transportation which begins or ends outside the United States, where it is definitely established at the time of making payment for the United States portion that such portion is purchased for use in making the journey from or to a point outside the United States. The nontaxable character of the payment made outside the United States for the United States portion shall be established under the rules set forth in paragraphs (b) through (e) of this section.

(b) *Through tickets.* Where one ticket (commonly known as a "through ticket") is issued to cover all of the United States portion of a journey which begins or ends outside the United States and to cover also the connecting transportation from or to a point outside the United States, no further evidence of the nontaxable character of the transportation covered by such ticket will be required.

(c) *Separate tickets.* Where separate tickets or orders are issued for the United States portion of a journey which begins or ends outside the United States, the agency or carrier which receives payment for such tickets or orders shall definitely determine at the time of receiving the payment that the United States portion is being purchased for use in conjunction with connecting transportation from or to a point outside the United States, and shall appropriately inscribe the tickets or orders issued outside the United States for the United States portion and for the connecting transportation from or to a point outside the United States to show clearly that such tickets or orders are purchased for use in conjunction with each other. Such tickets or orders shall be inscribed in the following manner:

(1) The ticket or order for the connecting transportation from or to a point outside the United States shall

be inscribed or stamped with an appropriate legend (for example, "Not to be used again for purchase of tax-free United States transportation") to show that the United States portion has been purchased tax free for use in conjunction therewith.

(2) Where the ticket for the United States portion is issued outside the United States, it shall be inscribed to show (i) the identity of the agency or carrier which received payment therefor (unless otherwise shown on the ticket), (ii) the origin and destination of the connecting transportation, (iii) the identity of the carrier furnishing the connecting transportation, and (iv) the serial number of the ticket or order covering such connecting transportation. If the ticket is not large enough to accommodate the prescribed inscription, a statement setting forth the required information shall be attached to such ticket.

(3) Where an order for the United States portion is issued outside the United States, it shall be inscribed to show (i) the origin and destination of the connecting transportation, (ii) the identity of the carrier furnishing the connecting transportation, and (iii) the serial number of the ticket or order covering such connecting transportation.

(d) *Ticket issued pursuant to inscribed order.* Where the ticket for the United States portion is issued in the United States pursuant to an order which was purchased and properly inscribed outside the United States under the rules set forth in paragraph (c)(3) of this section, liability for payment or collection of tax will not be incurred upon the issuance of the ticket provided the agency or carrier issuing such ticket stamps or inscribes thereon an appropriate legend, for example, "Tax not paid—furnished on order", or "Exempt—order".

(e) *Maintenance of records.* In any case where a payment for the United States portion is not subject to tax under the rules set forth in this section, the carrier furnishing transportation for the United States portion shall procure and maintain appropriate evidence which will clearly show that the tickets or orders for such transportation were purchased for use in conjunction

with connecting transportation from or to a point outside the United States.

(f) *Examples.* The following are examples of nontaxable transportation:

*Example (1).* Y travels from London, England, to San Francisco by way of New York. He purchases from an agency or carrier in England all of the transportation involved in such journey, which includes air transportation from London to New York and from New York to San Francisco, for which separate tickets are issued. The agency or carrier which receives the payment for Y's transportation from New York to San Francisco will not be required to collect tax with respect to the payment, provided it determines at the time such payment is received that the transportation in question is being purchased for use in conjunction with the connecting transportation from London to New York and it appropriately inscribes both of the tickets for the journey.

*Example (2).* Z travels from Havana, Cuba, to New York by way of Miami. He purchases in Havana a ticket for his transportation by water from Havana to Miami, and later purchases from a travel agency in Havana air transportation from Miami to New York for which the travel agency issues an exchange order. To establish the nontaxable character of the payment for Z's transportation from Miami to New York the travel agency shall determine at the time payment is received by it that the transportation is being purchased for use in conjunction with the connecting transportation from Havana to Miami, and shall make the appropriate inscription on the ticket and the order. The carrier which accepts the exchange order and issues the ticket for the transportation from Miami to New York will not be required to collect tax with respect to the ticket so issued if it appropriately inscribes the ticket as provided in paragraph (d) of this section.

#### § 49.4261-7 Examples of payments subject to tax.

The following are examples of payments for transportation which, unless otherwise exempt under section 4263, 4292, 4293, or 4294 are subject to tax:

(a) *Cash fares.* The tax applies to payments of so-called "cash fares" where no ticket or other evidence of the right to transportation is issued to the passenger.

(b) *Script books.* The tax applies to the amounts paid for scrip books. The tax shall be collected from the purchaser at the time the scrip book is sold, and not when and as the scrip is used for transportation.